

SECTIONAL ANALYSIS

The proposed statutory changes involve the following sections of subchapter III of chapter 83 of title 5, United States Code, respecting civil service retirement:

Section 1 amends section 8331(8) of title 5, United States Code, by redefining "lump-sum credit" to effect withholding of the Social Security tax equivalent from refunds paid in cases of separated employees and of employees who die without survivors eligible for annuity. Sums so withheld will partially pay the cost of extending Social Security credits for the Government service (not according retirement annuity title) involved, which credits will generally result in Social Security benefit advantage.

Section 1 also amends section 8331 of title 5 by adding paragraphs (17) and (18). Paragraph (17) defines "tax equivalent" as the amount of Social Security tax the employee would have paid had his Federal service been covered by the Social Security Act. Paragraph (18) defines "minimum annuity base" as an amount corresponding to the benefit which would be payable to the retired employee or to an employee's or annuitant's survivors had his Federal service been covered by the Social Security Act.

Section 2 amends section 8332 of title 5, United States Code, by inserting a new subsection (m) which bars retirement credit for Federal service after June 1966 in the case of an employee separated after 1967 if neither he nor any survivor has annuity title at the time a Social Security benefit would become payable to him or a survivor. This would open the way to giving Social Security credit for the Federal service involved.

Section 3 amends section 8339 of title 5, United States Code, by inserting new subsections (1), (m), (n), and (o). These new subsections provide computation methods which guarantee that the overall retirement benefit payable to a retiring employee or to the survivor(s) of an employee or annuitant shall not be less than that payable under title II of the Social Security Act if the Federal service had been covered by that Act. The overall benefit of course takes into consideration any Social Security benefit also due. This provision will generally improve survivor and disability protection for employees with relatively short service. It is not intended to create new categories of persons eligible to receive Civil Service retirement benefits nor to guarantee payments at levels which would reflect Social Security payments with respect to persons not eligible for retirement benefits. Some employees working outside the United States or its possessions who are not covered by Social Security and surviving widows and widowers not designated to receive a benefit based on the employee's full annuity are not covered by the provision.